



U.S. Small Business Administration

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U.S. Small Business Administration

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NEWS for Eastern Iowa Lenders

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Special Notice: Restoration of Statutory Guaranty Limit

Our temporary guaranty cap of \$500,000 on 7(a) loans is now rescinded and our statutory limit of \$2 million maximum loan size and \$1 million maximum loan guarantee is again in effect. Our October 2002 newsletter discussed the temporary guarantee cap when we entered the 2003 fiscal year without an approved operating budget in place. During the past week our new budget was put into place and the cap was removed.

To recap our statutory guarantee and fee limits, we offer the following summary for loans with maturities of 12 months or more:

<u>Loan Amount</u>	<u>% Guaranteed</u>	<u>Fee Calculation Based On</u>
Up to \$150,000	85%	1 % of guaranteed amount*
Over \$150,000 and up to \$700,000	75%	2 ½ % of guaranteed amount
Over \$700,000**	75%	3 ½ % of guaranteed amount

***Note:** Lender may retain 25% of the fee on loans up to \$150,000. For example, if the fee is \$1,000, the lender may choose to adjust the fee to \$750 and retain or refund \$250.

****Note:** Our statutory guaranty limit is \$1 million. Loans that exceed \$1,333,333.00 are subject to this limitation. By statute, the gross loan limitation is \$2 million.

7(a) Program Examples:

1. If the total loan amount is \$130,000, the guaranteed amount is \$110,500 and the guarantee fee is \$1,105.
2. If the total loan amount is \$600,000, the guaranteed amount is \$450,000 and the guarantee fee is \$11,250.
3. If the total loan amount is \$1,000,000, the guaranteed amount is \$750,000 and the guarantee fee is \$26,250.
4. If the total loan amount is \$2 million, the guaranteed amount is \$1 million (the statutory limit) and the guarantee fee is \$35,000.
5. If the total loan amount is more than \$2 million, the loan cannot be processed through our 7(a) program. Please consider using the 504 Program where the maximum gross loan size is not limited. In metropolitan areas, the SBA 100% guaranteed maximum debenture is \$1 million. In rural areas, the maximum is \$1,300,000. 504 Program loans are packaged by Certified Development Companies and may be used for business property purchase or fixed asset construction. Call us at (319) 362-6405 if you need help matching the SBA loan program to your client's needs.

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